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RUEHHM/AMCONSUL HO CHI MINH CITY 0008
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SUBJECT: TWO QANTAS EXECUTIVES HELD IN VIETNAM

¶1. (SBU) SUMMARY: Two Australian airline executives are being prevented from leaving Vietnam over fuel hedging losses incurred by Vietnamese controlled airline JetStar Pacific. Australian airline QANTAS, which owns 27 percent of the airline, is strongly defending the two executives and is trying to persuade Vietnamese authorities that the losses were result of normal business risk. This has received considerable media play at a slow news period in Australia's summer holidays. The Department of Foreign Affairs and Trade (DFAT) has raised the matter with Vietnam's Ambassador to Australia. END SUMMARY.

EXECUTIVES HELD

¶2. (U) On Friday January 8, Vietnamese media reported that two Australian executives of JetStar Pacific - an offshoot of Australian airline QANTAS - had been prevented from leaving Vietnam over \$US31 million of "fuel hedging" losses (they are apparently free to move around Vietnam). The two Australians, along with the former CEO, were allegedly accused of defying a board of directors resolution on buying aviation fuel futures. According to the Toui Tre newspaper, the resolution allowed them to buy fuel futures to the end of 2008 but they kept buying until May 2009. QANTAS bought into Vietnam's second-biggest airline, then known as Pacific Airlines, in 2007. It now owns 27 per cent.

REACTION

¶3. (U) Australian media have given considerable play to the story, which emerged in a very slow news period over Australia's summer holidays. DFAT confirmed the identities of the two executives, Daniela Marsilli and Tristan Freeman, and said it raised the matter with Vietnam's Ambassador to Australia on December 24. QANTAS CEO Alan Joyce strongly defended their actions, asserting that the losses were "part of a global business risk" and that the Vietnamese government was "still learning" about practices such as hedging.

¶4. (SBU) COMMENT: Despite the extensive media coverage, journalists have not formally requested comment from Acting Foreign Minister Simon Crean. This may reflect the focus on AUSMIN; renewed attention on the fate of a mining executive in China (which has similarities to this issue); and tensions with Japan and India over whaling and student bashings, respectively. Nevertheless the media continue to follow the issue. It will increase in diplomatic and domestic political importance the longer it drags on. Like the Stern Hu case, it will generate reflection on the risks of doing business in countries with vastly different values and political systems.

END COMMENT.

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